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Report Highlights:
For MY 2010/11, China's overall pulse production is estimated at 4.2 million metric tons (MMT), approximately 2 percent less than last year. Broad beans, representing the largest share of China's pulse production, are projected to decline 15 percent to 1.6 MMT on bad weather conditions in major producing areas. Kidney, mung, and adzuki bean production is expected to rise as higher prices influenced farmers to increase planted acreage. In MY 2010/11 China's kidney bean exports are forecast at 650,000 MT, a 6 percent increase in response to rising demand from traditional markets such as South Africa, India and Turkey.

General Information:

Pulse Overview

For MY 2010/11 (October to September), China's overall pulse production is estimated at 4.2 million metric tons (MMT), approximately 2 percent less than last year. Broad beans, representing the largest share of China's pulse production, is projected to decline 15 percent to 1.6 MMT on bad weather conditions in major producing areas. Kidney, mung, and adzuki bean production is expected to rise as higher prices influenced farmers to increase planted acreage.

Pulse production accounts for less than 1 percent of China's annual grain and feed output, and receives no production support from the central government. Chinese farmers generally plant pulses on "marginal land" in northeastern and western China. This marginal land is not used for major crops like corn because of a shorter growing season and limited irrigation. A typical pulse farmer has around 0.1 to 0.2 ha of land, which allows for 14 to 16 rows running about 500 meters. There are about 30 inches between each row, whereas in the U.S. rows are closer at around 15 to 22 inches. Famers reportedly use little fertilizer for pulse production, estimated around 100 to 150 kg per ha.

Harvest is conducted manually or cut by machine. When the pulses are harvested from the ground by hand, they are left on the field for 6 to 7 days to dry before collected by a harvesting combine. Otherwise, the pulses are cut by machine and organized in wind rows before collection. Combine costs were quoted around USD $40,000 per machine (16 foot heads), which is approximately USD $20,000 to USD $30,000 less expensive than US combines (35 to 42 foot heads). Many towns have one "combine owner" who rents out his services to local farmers, and harvesting fees have been quoted between USD $35 to $40 per ha.

After harvest, most farmers save seeds for the next planting season, but a few buy from local distributors since their product is expensive and offers no quality improvements (i.e. some farmers claim their seeds are bought from other local farmers). Blight and other diseases annually occur on the kidney crop because the saved seed is utilized for the following year. Because there is a lack of investment and research in producing higher quality pulse seeds, these issues will continue to persist and spread.

Many processing operations are using modern equipment to clean, polish, and dry the pulses, including removing lower quality beans. Fewer operations use manual labor, although this was the normal practice a few years ago.

NE provinces transport beans by truck or rail to an ocean port to distribute internationally or to other parts of China. Transportation from northern Heilongjiang to Dalian takes around 2 to 3 days, and by railcar can be as long as 1 to 2 weeks depending on the season. Although the price spread between transportation by truck and railcar was quoted around RMB 50, many distributors are willing to pay extra to move the product by truck in order to cut down on transportation time.

Production:

Kidney Bean Production to Increase

For MY 2010/11, China's kidney bean production is estimated at 950,000 MT, a 12 percent increase from last year on favorable weather and higher planted acreage (in lieu of soybeans), which increased because of expectations of high prices and continued strong export market demand (see Trade section). The average yield is around 1,800 kg per ha in normal weather conditions.

According to industry sources, the production of light speckled kidney beans and black beans (mainly produced in northeast China) increased 10-15 percent, and smaller varieties, such as the dark red (Shanxi Province) and small white (Inner Mongolia) decreased by 15 to 20 percent. Large white production (Yunnan Province) remained stable. Major kidney bean producing provinces are Heilongjiang, Inner Mongolia, Xinjiang, Yunnan, and Guizhou.

Even with high kidney prices, some local farmers still prefer to plant soybeans because they: 1) are protected by the central government's minimum acquisition prices (kidney beans have no price protections); 2) receive government seed subsidies (kidney beans receive no assistance); and 3) require less field management than pulses.

Broad Bean Production to Decline 15 percent on Less Acreage and Low Yields
For MY 2010/11, China's broad bean production is estimated at 1.6 million metric tons (MMT), 15 percent down due to less acreage and low yields. Severe drought in Yunnan province, which comprises over 30 percent of China's total broad bean planting area, caused production to drop 30 percent.

China produces autumn (planted in autumn) and spring (planted in spring) broad beans. Out of China's total broad bean production, 90 percent are autumn broad beans (produced in Yunnan, Guizhou, Sichuan, and Hubei), while 10 percent are the spring variety (produced in Gansu, Qinghai, and Ningxia).

Mung Bean Production to Rebound 14 percent on Favorable Weather
In MY 2010/11 China's mung bean production is projected to grow 14 percent to 880,000 MT on favorable weather. Because of last year's production decline (due to extremely poor weather) and continued robust demand, from September 2009 to May 2010, mung bean prices rose from USD $940 per MT (RMB 6,400 per MT) to a record USD $2690 per MT (RMB 18,000 per MT). For March 2011, local traders estimate the purchase price of mung beans is approximately USD $2,000 per MT (RMB 13,000 per MT). Inner Mongolia, Jilin, Anhui, and Henan Provinces are the largest mung bean producers in China, accounting for over 60 percent of total acreage.

Adzuki Bean Production Increases 25 percent on Good Weather and Acreage Rise
For MY 2010/11, production is estimated to rise 25 percent to 280,000 MT on good weather and increased acreage due to expectations of higher prices. According to MOA, MY 2009/10 adzuki bean production declined 30 percent because of poor weather, which caused prices to climb. Heilongjiang, Inner Mongolia, Jilin, and Hebei Provinces account for 50 percent of China's total production area. For many producing provinces, adzuki is planted in May-June, and harvested in late September to early October.

Dry Pea Production Falls on Poor Weather
For MY 2010/11, China's dry pea production dropped to 550,000 MT, an 8 percent decline on unfavorable weather in major producing areas. China's major dry pea producing provinces are Sichuan, Gansu, Yunnan, Shanxi, and Ningxia Provinces. Dry pea acreage is estimated at 670,000 ha (spring and winter dry peas comprise 20 and 80 percent of total production).

Lentil Production Remains Stable at 25,000 MT
For MY 2010/11, China's lentil production and are is estimated to remain around 25,000 MT and 50,000 ha. Gansu is the largest lentil producing province in China, accounting for over 70 percent of total lentil acreage, followed by Shaanxi and Ningxia.

Consumption:

Broad Beans
Industry contacts estimate that over 50 and 30 percent of dry broad beans are used either as a raw material or further processed for feed use. Higher quality broad beans are processed into snack foods, vermicelli, starch, and spicy bean sauce/paste. Fresh broad beans are generally consumed as a seasonal vegetable, usually available from March to June.

Mung and Adzuki Beans
Most mung and adzuki beans are consumed domestically, although some mung beans are exported to neighboring Asian countries, like Japan. Mung and adzuki beans are traditionally used to cook congee and mixed with rice and nuts. Adzuki beans are processed into bean paste, either for domestic pastry production or exported as an intermediate product. Adzuki and mung beans account for 50 and 10 percent of China's total bean paste production, which is estimated at over 1 MMT.

Kidney Beans
China generally exports 80 percent of its kidney beans, and the remaining are domestically processed into paste for pastries

and other snacks. Post contacts believe that Chinese consumers are beginning to recognize the nutritional benefits of kidney beans. However, because it takes a significant amount of time to cook the beans, they have not become very popular with consumers.

Dried Peas

The food processing industry uses locally produced peas for starch, vinegar, and bean sauces, and imported dry peas (primarily from Canada) for vermicelli noodles. Because of high prices, more bean paste manufacturers use imported dry peas in lieu of mung beans (see Trade section below) to create bean paste for dim sum or moon cakes.

Most vermicelli production occurs in Shandong Province, which purchases 80 percent of dry pea imports. October to March are peak sale months since the produce is used in traditional Chinese "hot pots," a common meal eaten with broth and vegetables during the colder months. The remainder is shipped to south China and used for snack foods.

Trade:

Chinese Kidney Bean Exports Rise on Strong International Demand

For MY 2009/10, kidney beans (H.S. code: 071333) account for 68 percent of China's total pulse exports. In MY 2010/11, China's kidney bean exports are forecast at 700,000 MT, a 14 percent increase in response to rising demand from traditional markets. South Africa, India, Venezuela, and Pakistan are the largest export markets for Chinese kidney beans.

Food Processing Sector Causes Dry Pea Imports to Increase

In MY 2010/11 China's dry pea imports are projected to increase 40 percent to 640,000 MT on strong demand from various food processing sectors. High mung bean prices caused end-users to search for less expensive, high quality alternatives, which has made dried peas, particularly from Canada, more popular. For the last 2 years, imports doubled from 225,000 to 456,000 MT.

Figure 1. China's dry pea imports by marketing year in metric tons

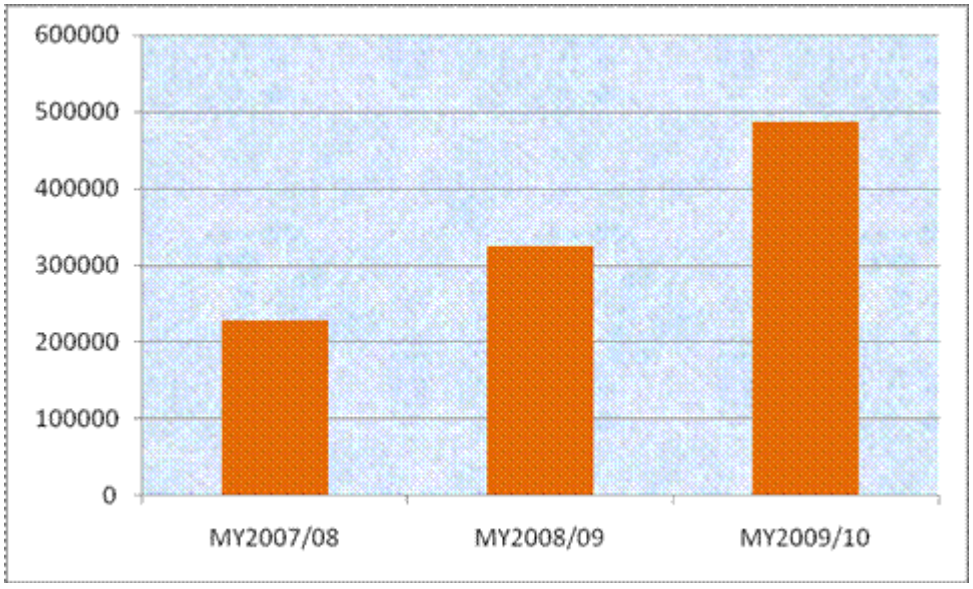
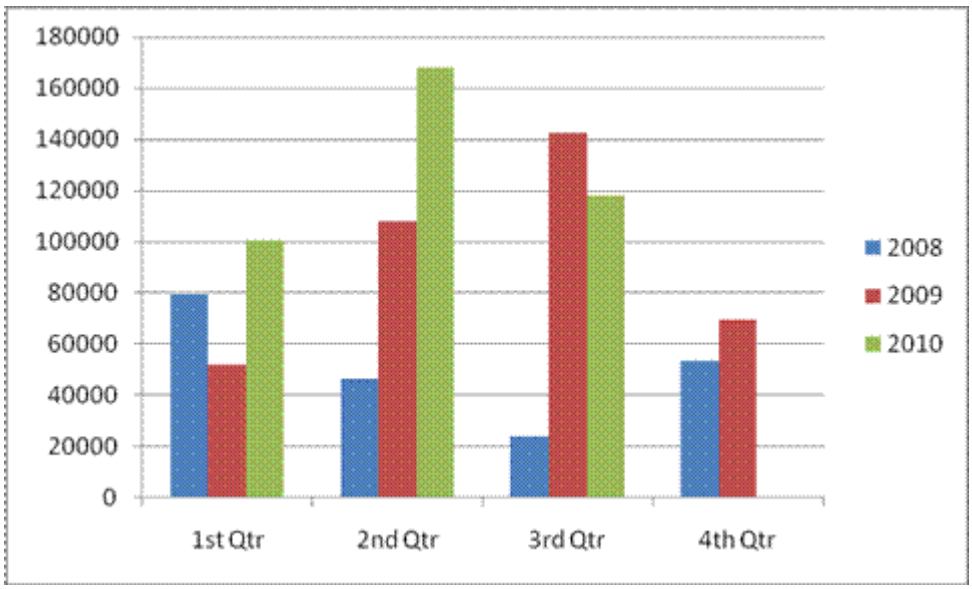


Figure 2. China's dry pea imports by quarter in metric tons



Policy:

Reside Levels

On January 24, China's Ministry of Health announced that in accordance with *the Food Safety Law* and *the Administrative Measures on National Food Safety Standards* and the approval of the National Food Safety Standard Review Committee, the previous selenium tolerances have been modified (old tolerance levels are located in *Contaminant Limits in Food (GB2762-2005)*). This announcement took effect upon publication. Industry believes the new policy will facilitate more China's dry pea imports.

Marketing:

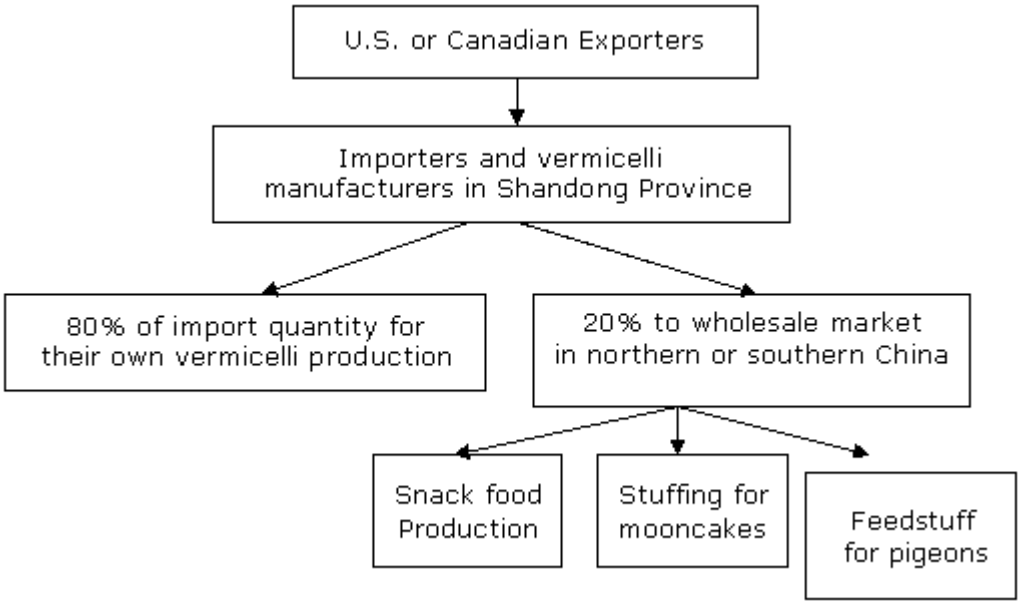
Canada is still the largest exporter of dry peas to China in terms of quantity and value. The United States exports a small quantity of yellow peas. Bean paste manufacturing provides some opportunity for US pulses, especially since more are using imported ingredients to create traditional Chinese foods, such as moon cakes for the Full Moon Festival. Other opportunities include bakery products. Total bakery product sales are estimated around $14 billion (RMB 93 billion) by the end of 2010.

FAS Agricultural Trade Offices (ATO) have worked with the U.S. Dry Pea and Lentil Council and several other cooperators to expand the use of U.S. pulses in the bakery industry. FAS China plans to continue these cooperative market development activities.

Competition Matrix for Yellow Peas

	U.S.	Canada	China
Supply	Large supplies available	Large supplies available	Less production because more land is used for grains, oilseeds, or other
Product Characteristics	High starch content, low elasticity	High starch content, low elasticity	High Elasticity
Financing	Documents against Payment or Letters of Credit available	Documents against Payment or Letters of Credit available	Full amount pre-paid prior to delivery and often before planting

Distribution Channel for Imported Peas



Production, Supply and Demand Data Statistics :

Table 1. China's Pulse Imports

(MT)	Description	4th Qtr 09	1st Qtr 10	2nd Qtr 10	3rd Qtr 10	4th Qtr 10
071310	Peas	69,587	100,680	168,041	117,922	165,910
071390	Legumes	3,716	14,160	15,740	7,757	7,412
071340	Lentils	23	2894	1520	286	32
071331	Mung Beans	596	18,337	24,115	30,762	6,419
071333	Kidney Bean	461	29	1115	775	184
071339	Beans, Other	0	9	32	0	0
071320	Chickpea	25	4	34	49	13
071350	Broad Bean	0	16	0	5	0
071332	Bean, adzuki	0	0	2	0	105
0713	Pulse	74,407	136,129	210,597	157,555	180,076

Table 2. China's Dry Pea Imports

Country (MT)	4th Qtr 09	1st Qtr 10	2nd Qtr 10	3rd Qtr 10	4th Qtr 10
Canada	54472	87031	146206	107695	139,796
Australia	60	114	93	197	170
United Kingdom	286	126	110	282	260
United States	14749	13376	21526	9624	25,542
Taiwan	13	32	54	48	127
New Zealand	3	0	43	76	15
Others	3	1	9	0	0
Total	69587	100680	168041	117922	165,910

Table 3. China's Pulse Exports

(MT)	Description	4th Qtr 09	1st Qtr 10	2nd Qtr 10	3rd Qtr 10	4th Qtr 10
071310	Peas	922	448	571	698	813
071390	Legumes	1,961	1,148	615	469	1,934
071340	Lentils	6,641	9,364	3,108	1,610	9,043
071331	Mung Beans	88,175	41,352	24,323	16,433	39,514
071333	Kidney Bean	139,013	173,338	160,460	141,150	282,942
071339	Beans, Other	8,241	5,043	4,084	4,739	5,045
071320	Chickpea	0	0	0	5	0
071350	Broad Bean	6,825	8,413	4,952	1,961	4,825
071332	Bean, adzuki	10,994	14,770	11,609	11,171	14,086
0713	Pulse	262,772	253,876	209,723	178,231	358,202

Table 4. China's Kidney Bean Exports

Country (MT)	4th Qtr 09	1st Qtr 10	2nd Qtr 10	3rd Qtr 10	4th Qtr 10
Venezuela	6,392	12,577	18,505	20,379	16,328
South Africa	12,974	20,203	21,832	17,978	21,401
Pakistan	7,984	13,856	13,925	16,510	16,660
Brazil	0	0	3,747	15,317	46,590
India	12,457	13,471	23,901	10,765	31,805
Costa Rica	8,696	4,289	2,591	7,421	10,734
United Arab Emirates	4,776	6,760	3,889	6,158	11,514
Italy	11,090	12,142	5,619	5,380	16,084
Yemen	8,388	4,520	5,079	3,692	8,742
United States	9,893	8,118	6,242	3,574	1,330
Others	56,364	77,403	55,137	33,976	101,760
Total	139,013	173,338	160,460	141,150	282,942